OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

99 - 67
FOR IMMEDIATE RELEASE
THURSDAY JULY 29, 1999

CONTACT: HELAINE KLASKY
AMY STILWELL
(202) 395-3230

OUT-OF-CYCLE REVIEW HIGHLIGHTS PROGRESS ON CURRENT TELECOMMUNICATIONS ARRANGEMENTS IN MEXICO AND CONCERN REGARDING END-OF-YEAR POLICY DECISIONS

The Office of the United States Trade Representative today announced the extension of an out-of-cycle review of Mexico's compliance with telecommunications trade agreements under Section 1377 of the Omnibus Trade and Competitiveness Act of 1988. The review, initiated on March 30, 1999, found that Mexico is undertaking a consultative policy review in which U.S.-affiliated carriers have been able to participate, and which provides a credible basis for expecting improved implementation of WTO commitments upon conclusion of the review later this year.

"U.S.-affiliated carriers in Mexico have reported that they are meeting regularly in Canieti (the National Chamber for Telecommunications, Electronics and Informatics Industries) with Mexican government officials on key regulatory issues, including liberalized international service arrangements, competition-neutral universal service policies, and implementation of dominant carrier regulation vis-a-vis Telmex," stated Ambassador Barshefsky. "As a result, I expect that the Mexican regulator will promulgate recommendations late this year which will remove doubts about Mexico's implementation of its commitments under the WTO agreement. USTR will extend its out-of-cycle examination until these recommendations are known, and thereafter will take appropriate action including, if warranted, the initiation of WTO dispute settlement proceedings, to assure that new competitors in the market are treated fairly."

AT&T and Telmex, the dominant Mexican carrier, announced agreement on June 21, 1999 regarding a new international accounting rate for the U.S.-Mexico route. The agreement cut the rate to 19 cents per minute, from its previous level of 39.5 cents per minute.

"We understand that private sector negotiators recently concluded an agreement that, when implemented, should reduce retail prices for telephone calls between the United States and Mexico," continued Ambassador Barshefsky. "Nevertheless, in keeping with its WTO commitments, Mexico must respond positively to the request from all its new entrant carriers, and all concerned U.S. carriers, that the bilateral route be opened to full competition, or International Simple Resale (ISR). On other routes where ISR has been implemented, retail prices have reached 10 cents per minute and lower. Telecommunications customers and suppliers at both ends of the U.S.-Mexico route, the world's second busiest, would benefit greatly from the lower prices and increased traffic that ISR would bring."

Background

In March 1999, USTR announced an out-of-cycle Section 1377 review of Mexico, based on the mid-year status, and year-end outcome, of an eleven month policy review by the regulator. USTR specified it would conclude an interim review by July 30, 1999, to consider possible initiation of WTO dispute settlement proceedings, if the progress of the Mexican policy review was dissatisfactory at the mid-year point. The Mexican regulator is meeting regularly with U.S.-affiliated and all other Mexican carriers on international service and domestic regulatory issues being studied in its 1999 policy review, which is expected to conclude before the end of the year.

AT&T and Telmex on June 21, 1999 finalized an agreement to bring accounting rates down to 19 cents/minute immediately, from 39.5 cents/minute (which was the last agreed level in the contract which expired on December 31, 1997). Other U.S. carriers also will benefit from the 19 cents/minute rate. The accounting rate is the factor that determines settlement payments from U.S. carriers to Telmex and other Mexican carriers, for completing more calls from the United States than are originated from Mexico. These payments currently total approximately $800 million annually.

In November 1998, all six competitors to Telmex, Mexico's dominant former monopoly supplier of local, long distance, and international service, requested regulatory permission to provide ISR on Mexico's international routes. Such a step would dramatically lower the retail price in Mexico, the United States, and elsewhere of approximately 3 billion minutes of calls, mostly among family members.

Interconnection and dominant carrier regulations in Mexico have yet to produce lower net domestic interconnection costs for new entrants. Nor has the regulator created confidence that Telmex is not engaging in anti-competitive cross-subsidization of different telecom services. For example, the regulator has yet to identify a universal service program under which Telmex would be required to fund universal service on the same basis as its competitors.